

WEEKLY MARKETS ROUND-UP

Executive Summary

29th January 2024

Top news: Treasury's QRA, FED Meeting and Non-Farm Payrolls – last week started with the BoJ which kept its ultra loose monetary policy in place on Tuesday. On Wednesday, the Flash PMIs advanced economic indicators printed quite positively, with Manufacturing slowing its contraction in Europe, while the US also surprised to the upside with both Manufacturing and Services now back in expansion. On Thursday, the ECB press conference was rather dovish with Mrs Lagarde considering that wage growth was cooling. Friday, Core PCE came out slightly lower than expected and broke below 3% at +2.9% on a YoY basis. On the earnings front, Netflix jumped circa 18-19% for the week on strong new subscriptions, while Tesla dropped 13-14% missing on both earnings and revenue. This week's releases will start on Tuesday with the US JOLTs Job opening data, then on Wednesday, we will expect the German Preliminary CPI for January, the US ADP Private Employment changes data, the Treasury's Quarterly Refunding Announcement and the FED's statement, which should clarify if a cut is likely as early as March. Friday, finally, will see the Non-Farm Payrolls. Earnings-wise, we await Alphabet and Microsoft on Tuesday, and Amazon and Apple on Thursday.

Equity: equities last week continued to rise, between 0.5 and 1% in the US and more than 4% in the EuroZone and 2% in Switzerland. China also bounced 2.6% while Japan retraced -0.7% after several very strong weeks. Most markets are now Overbought on the table below and we would expect some retracement (-5%, perhaps -10%) during February.

Fixed Income: benchmark yields were pretty much flat last week following several weeks of rebound. This bounce may hold up another couple of weeks before the trend resumes lower again into the Spring and to new lows.

FOREX: the Dollar was also flat last week, yet, as with yields, may continue to hold up another week or so. It then probably drops again into late March (towards 1.13 on EUR/USD, 1.30 on GBP/USD and 0.83 on USD/CHF).

Commodities: concomitantly, Brent continues to bounce and towards 85 USD/barrel. It should then drop again from mid February into the Spring (towards 60s USD/barrel). Inversely, Gold remains under pressure another few weeks.

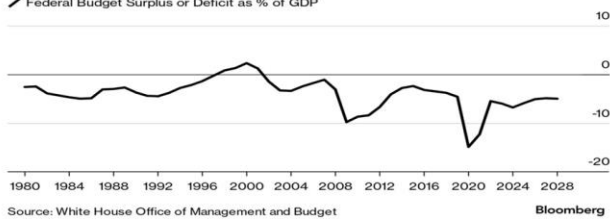
	Currencies	Price	Performance since 52 Week Low			Performance since 52 Week High			Performance YTD in %	Trend last 6m ¹	Exaggeration OB / OS ²
			Date Low	Low Price	Rise %	Date High	High price	Decline %			
S&P500 Index	USD	4 891	Mar-23	3 856	26,8%	Jan-24	4 894	-0,1%	2,5%	up	slightly OB
Nasdaq100 Index	USD	17 421	Mar-23	11 830	47,3%	Jan-24	17 517	-0,5%	3,5%	up	slightly OB
Dow Jones Industrials Index	USD	38 109	Mar-23	31 819	19,8%	Jan-24	38 109	0,0%	1,1%	up	slightly OB
EuroStoxx50	EUR	4 635	Oct-23	4 014	15,5%	Jan-24	4 635	0,0%	2,5%	up	OB
Swiss Market Index	CHF	11 390	Oct-23	10 324	10,3%	May-23	11 595	-1,8%	2,3%	neutral	slightly OB
Nikkei225	JPY	35 751	Mar-23	26 946	32,7%	Jan-24	36 547	-2,2%	6,8%	up	slightly OB
Shanghai Composite	CNY	2 910	Jan-24	2 756	5,6%	May-23	3 395	-14,3%	-2,2%	down	slightly OS
US 10Y Treasury Yield	%	4,14%	Apr-23	3,31%	0,8%	Oct-23	4,99%	-0,8%	0,3%	down	neutral
German 10Y Bund Yield	%	2,28%	Dec-23	1,97%	0,3%	Sep-23	2,97%	-0,7%	0,3%	down	neutral
US 20Y Treasuries (TLT ETF, 17-18Y duration)*	USD	94	Oct-23	84	12,0%	Apr-23	105	-11,0%	-5,2%	up	neutral
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	109	Oct-23	99	10,7%	Dec-23	111	-2,0%	-1,4%	up	slightly OB
US High Yield (HYG ETF, 3-4Y duration)*	USD	78	Feb-23	70	11,5%	Dec-23	78	-0,4%	0,3%	up	slightly OB
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	88	Oct-23	80	10,2%	Dec-23	90	-2,3%	-1,6%	up	neutral
EUR/USD		1,09	Oct-23	1,05	3,6%	Jul-23	1,12	-3,4%	-1,7%	neutral	neutral
GBP/USD		1,27	Mar-23	1,18	7,4%	Jul-23	1,31	-3,3%	-0,2%	neutral	neutral
USD/JPY		148	Feb-23	129	15,1%	Nov-23	152	-2,4%	5,0%	neutral	neutral
USD/CHF		0,86	Jan-24	0,84	2,7%	Mar-23	0,94	-8,3%	2,7%	neutral	neutral
AUD/USD		0,66	Oct-23	0,63	4,5%	Feb-23	0,71	-7,8%	-3,4%	neutral	neutral
Brent Oil (per Barrel)	USD	83	Jun-23	72	14,9%	Sep-23	97	-14,5%	7,2%	down	neutral
Gold Spot (per Ounce)	USD	2 018	Feb-23	1 811	11,4%	Dec-23	2 077	-2,8%	-2,2%	neutral	neutral

US Government funding Focus: Wednesday's potentially market moving QRA

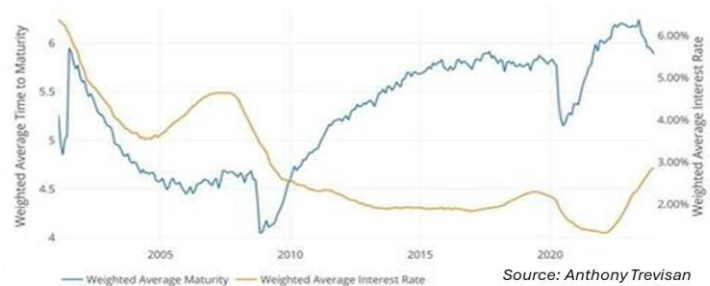
This week should prove important macro economically with both the FED meeting and the Non-Farm payrolls. Yet, a third news item may well steal the limelight: the Treasury department's Quarterly Refunding Announcement (QRA), which will be released circa 2 hours before the FED on Wednesday. Indeed, while deficits are still running hot 4 years after COVID, at circa 6% of GDP (top-left graph), the US Government may have to increase fiscal stimulus even further to safeguard economic growth until the election. Indeed, it currently takes 1.5% budget deficit and 2.5% of new US debt to create 1% of nominal US GDP increase (bottom-left graph). In this context, the funding question will probably take center-stage, especially as interest costs are now hitting 3% (top-right graph) or 1 trillion USD or circa 3.5% of GDP. The QRA will detail how much the treasury intends to issue and especially at which maturity. For example, last August, the FED intended to issue more longer term debt. This put upside pressure on yields and triggered a market correction (lower-right graph). In October, it then reverted to issuing predominantly short term Bills. Both treasuries and risk assets then rallied. What will it then be on Wednesday?

US Deficit Deterioration

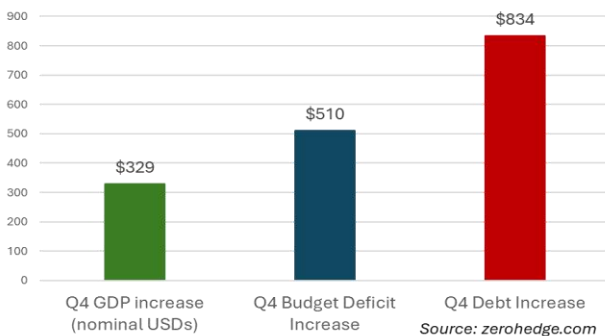
The budget is in worse shape now than during early 1990s angst over deficits
 Federal Budget Surplus or Deficit as % of GDP



Aggregate View of Total Marketable Debt



Q4: GDP vs Budget Deficit vs Debt Change (\$BN)



Notes:

- Trend last 6 months:** this Primis original algorithm, weighs the slope of the trend over the last 6 months vs the slope of the trend over the last 3 months yet factorised by the Fibonacci retracement ratio (0.618). Values are normalised using the average price over each period. If this combined slope is above +0.05% the trend is then "up", below -0.05% then "down", otherwise it is "neutral".
- Overbought (OB) / Oversold (OS) measures:** this Primis original algorithm is computed by comparing the difference between the 8 days moving average and the 100 days combined with the 3 days vs the 15 days one and normalises this difference by dividing it by the 1 year standard deviation (circa 260 open market days). Values above 225% or under -225% are Overbought "OB", resp. Oversold "OS", values above 100% or under -100% are "slightly OB", resp. "slightly OS", otherwise there is no relevant exaggeration and the situation is then "neutral".

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